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<b>SUBJECT:</b> University of Maryland Medical System Corporation Conflicts of Interest		

## ARTICLE I: PREAMBLE:

The University of Maryland Medical System Corporation (UMMS) is organized for health care, charitable, scientific, and education purposes and attains and maintains exemption from federal income taxation but is not a State agency, political subdivision, public body, public corporation, or municipal corporation. The governance of UMMS is vested in its Board of Directors (Board). The purpose of this Conflict of Interest Policy is to ensure all activities of UMMS are consistent with its mission and applicable Federal and Maryland laws. In furtherance of this Policy, UMMS will maintain effective complementary policies and procedures to comply with federal tax exemption guidelines and good governance practices.

Initial adoption and changes to this Policy, after approval by the Board of Directors, will be sent to the Governor, the President of the Senate, and the Speaker of the House of Delegates (2019, Md. Laws, Ch. 19).

## ARTICLE II: PRINCIPLES:

1. The purposes of this Conflict of Interest Policy are to promote transparency, protect the interests of UMMS, avoid any Excess Benefit (as defined by the IRS) accruing to a Covered Person, and advance a reputation of highest integrity. **A Conflict of Interest is defined as an interest that may affect, or may reasonably appear to affect, the judgement or conduct of any Covered Person in a manner that is adverse to the interests of UMMS.**
2. Covered Persons may not use their positions to accrue Excess Benefits or to knowingly assist others in accruing Excess Benefits in any way at the expense of UMMS. Covered Persons shall conduct their activities to appropriately manage any potential conflicts of interest or dualities of interest and shall disclose any activities that could result in a possible conflict of interest.
3. The primary benefit of the policy is that the Board, Board committees, officers, and management can make decisions in an objective manner without undue influence by Covered Persons when Business Transactions are considered.

## ARTICLE III: DEFINITIONS:

<b>Business Transactions</b>	<p>“Business Transactions” include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Contracts of sale, lease, license and performance of services, whether initiated during the UMMS tax year or ongoing from a prior year,</li> <li>• Loans, including salary advances, payments made under split-dollar insurance arrangements, and other advances,</li> <li>• Joint ventures in which either the profits or capital interest of UMMS and of the Covered Person exceeds 10%,</li> <li>• Employment relationships,</li> </ul>
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	<ul style="list-style-type: none"> <li>• Broker or agent of any corporation seeking to do business with UMMS.</li> </ul>
Covered Person	“Covered Person” means any member of the UMMS Board of Directors, a member of a committee of the Board, a UMMS officer, or an employee of the UMMS corporation (including subsidiaries) at the VP level or above.
Disinterested Member	“Disinterested Member” means any Board member who does not have either <ul style="list-style-type: none"> <li>(i) a conflict of interest in a respective Business Transaction; or</li> <li>(ii) a financial, professional, employment, or Family Member relationship with a Covered Person who does have a Conflict of Interest with respect to the Business Transaction, which relationship would, under the circumstances, reasonably be expected to exert an undue influence on the member’s judgement when voting on the Business Transaction.</li> </ul>
Excess Benefit Transactions	“Excess Benefit Transactions” are ones in which UMMS directly or indirectly provides an economic benefit in excess of the value of the consideration received by UMMS.
Family Member	“Family Member” means an individual’s spouse, parents, children and siblings, whether by blood, marriage (e.g., in-laws or step family) or adoption, and any other person residing in the individual’s home.
UMMS Affiliate	“UMMS Affiliate” means any of the UMMS legal entities under the parent University of Maryland Medical System Corporation or any joint venture in which UMMS has a controlling interest. If questions arise, please contact the UMMS Chief Compliance Officer at <a href="mailto:COI@umm.edu">COI@umm.edu</a> for a list of the current entities.
Vendors or Partners	“Vendors or Partners” include any for-profit or not-for-profit business or organization including any subsidiary and/or affiliated entity that has or is anticipated to have a business relationship to UMMS or any UMMS Affiliate.

#### ARTICLE IV: ADMINISTRATION AND ENFORCEMENT

The UMMS Governance Committee of the Board shall be responsible for administering and enforcing this Policy. The Chair of the Governance Committee, having reviewed any and all conflicts with the Committee, shall report annually to the full Board on the administration, infractions, and enforcement of this Policy and shall report at the earliest opportunity all matters of concern to the full Board in executive session while interested parties are recused.

The UMMS Chief Compliance Officer is the responsible administrative authority to assist the Board in administering and enforcing this Policy and bringing concerns to the Governance Committee. The UMMS Chief Compliance Officer shall be responsible for:

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1. Annually distributing disclosure statement forms to and collecting completed disclosure statements from all Covered Persons;
2. Reviewing all disclosure statements for compliance with this and all related UMMS policies and to identify all actual or potential conflicts of interest;
3. Preparing and submitting to the Governance Committee annual and updated (where applicable) reports summarizing all relevant information contained in the disclosure statements;
4. Receiving all disclosures of actual, potential, or perceived conflicts of interest as they arise and notifying the Chair of the Board, the Chair of the Governance Committee, and the CEO of such concerns;
5. Gathering all relevant information pertaining to an actual or perceived conflict, investigating if necessary, and reporting routinely to the Chair of the Governance Committee;
6. Educating the board on changes to applicable laws, regulations, statutes, or interpretations that may pertain to conflicts of interest;
7. Ensuring all Governance Committee actions and concerns related to this Policy are documented and retained, and periodic reviews conducted; and
8. Keeping confidential all Disclosure Statements and related documentation by limiting access to persons who have a reasonable need to know for purposes of administering and enforcing this Policy.

## **ARTICLE V: REQUIRED DISCLOSURE**

Covered Persons are required to disclose and attest to the disclosure of all conflicts of interest and potential conflicts of interest on their Disclosure Statement.

1. Content of Disclosure Statement. The Covered Person shall provide the name and address of the main place of business of each entity listed. To address dualities of interest, entities listed should include any UMMS subsidiary or affiliate where the individual is also a Covered Person. Each Covered Person's Disclosure Statement shall include the following:
  - a. Policy Attestation. An attestation that the Covered Person has received and reviewed this Conflict of Interest Policy.
  - b. Employee, Officer, or Director. Any for-profit or non-profit entity or business in which the Covered Person is an employee, officer, or director, or in which a Family Member is an employee, officer, or director if that entity or business is an UMMS Affiliate, Vendor or Partner.
  - c. Business Transactions that the Covered Person or the Covered Person's Family Member has with a Vendor or Partner, including: any compensation, remuneration, or reimbursement arrangement; any stock or other ownership interest in a Vendor or Partner (at least 3% ownership interest with respect to a publicly-traded company); any stock-options issued to the Covered Person or his/her Family Members by a Vendor or Partner (collectively "Financial Relationship").
2. Initial Disclosure. Each Covered Person shall submit an initial Disclosure as follows:

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- a. Candidates for Membership on the Board. Prior to the nomination by the Governance Committee of any person for membership on the Board, the candidate shall submit a completed Disclosure Statement.
  - b. Newly Appointed Ex Officio Board Members. A newly appointed Ex Officio Board member shall submit a completed Disclosure Statement within sixty (60) days after assuming the position for which ex officio membership is conferred.
  - c. Other Newly Appointed Covered Persons. A newly appointed Covered Person shall submit a completed Disclosure Statement within thirty (30) days after the person's appointment to the position.
3. Annual Disclosures. Each Covered Person shall submit annually a Disclosure Statement.
- a. The annual disclosure statement shall be submitted by August 15<sup>th</sup> each year for the previous fiscal year (July – June).
  - b. Each Covered Person shall continue to file an annual Disclosure Statement for one (1) year after the conclusion of his or her service as a Covered Person.
4. Ongoing Disclosure. Each Covered Person shall have an ongoing obligation to disclose within ten (10) business days of learning of an actual or potential Conflict of Interest, or any new information that would be required by the Annual Disclosure but that arises during the course of the year.
5. Annual Summary of Disclosure Statements. The UMMS Chief Compliance Officer shall annually provide to the Governance Committee a report summarizing all relevant information contained in the annual disclosure statements. This summary will further be presented to the full Board annually, and the complete Disclosure Statements for each Board member will be made available to Board members upon request. The UMMS Chief Compliance Officer shall periodically update the report to the Governance Committee whenever relevant information is disclosed through ongoing disclosures or as otherwise becomes known.

## ARTICLE VI: PROCEDURE FOR IDENTIFYING AND ADDRESSING CONFLICTS OF INTEREST

1. Determining Whether a Conflict of Interest Exists.
  - a. Upon learning that an actual, potential or perceived Conflict of Interest of a Covered Person may exist, the Governance Committee shall convene to consider the matter.
  - b. The Covered Person may make a presentation to the Governance Committee, but after the presentation and questioning by the Committee, he/she shall leave the meeting while the determination of a Conflict of Interest is discussed and voted upon. The Committee's Disinterested Members shall decide if a Conflict of Interest exists.
  - c. If the Governance Committee determines that additional information is needed to determine whether a Conflict of Interest exists, the UMMS Chief Compliance Officer or other designee appointed by the Governance Committee Chair shall investigate and gather the additional information for the Governance Committee to make a determination.

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- d. If the Governance Committee determines that a Conflict of Interest exists, the Governance Committee shall notify the Covered Person, the UMMS Chief Executive Officer, and the UMMS Board Chair and further will notify the full Board at its next meeting.
2. Procedure for Addressing a Conflict of Interest with UMMS.
- a. In the event the Governance Committee determines that an actual or perceived Conflict of Interest exists, the Committee shall decide how to address the Conflict of Interest.
  - b. The Covered Person may make a presentation to the Governance Committee, but after the presentation and questioning by the Committee, the person shall leave the meeting during the discussion of and vote on the transaction or arrangement involving the Conflict of Interest.
  - c. The Governance Committee Chair shall, if appropriate, appoint the Compliance Officer or other disinterested person or committee to investigate the process that was followed with respect to the establishment of the proposed price and terms of the proposed transaction or arrangement and alternatives to the proposed transaction or arrangement.
  - d. After exercising due diligence, the Governance Committee's Disinterested Members shall determine whether UMMS can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a Conflict of Interest. If the Committee determines that a more advantageous transaction or arrangement can be obtained without producing a Conflict of Interest, UMMS shall not enter into the subject transaction or arrangement.
  - e. If a more advantageous transaction or arrangement cannot be obtained with reasonable efforts under circumstances not producing a Conflict of Interest, the Governance Committee shall determine by a majority vote of Disinterested Members whether the transaction or arrangement is (i) in UMMS's best interest, (ii) for its own benefit, and (iii) is fair and reasonable. In conformity with that determination, the Committee shall make its decision as to whether UMMS may enter into the transaction or arrangement and report its decision to the Board.
  - f. If the Governance Committee determines that a Conflict of Interest exists but that UMMS may enter into the subject transaction or arrangement, the interested Covered Person shall be recused from all deliberations and decisions concerning said transaction or arrangement, any arrangements with that entity, and compensation or benefits for officers, directors, and trustees.
3. Violations of Conflict of Interest Policy.
- a. If the Governance Committee determines that a Covered Person has used their position to accrue Excess Benefits or to knowingly assist others in accruing Excess Benefits in any way at the expense of UMMS, the Governance Committee shall recommend to the Executive Committee appropriate corrective action to be taken.
  - b. If the Governance Committee has reasonable cause to believe that a Covered Person has failed to disclose actual or possible conflicts of interest, it shall inform the Covered Person of the basis for such belief and afford the Covered Person an opportunity to explain the alleged failure to disclose.

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- c. If, after hearing the Covered Person's response and after making further investigation as warranted by the circumstances, the Governance Committee determines that the Covered Person has failed to disclose an actual or possible Conflict of Interest, it shall recommend to the Executive Committee appropriate corrective action. The Governance Committee Chair shall also report the undisclosed conflict to the Governor, in order to allow the Governor to determine if the Covered Person willfully filed a false statement and requires removal from the Board.
  - d. The Executive Committee shall determine the corrective action to be taken, if the Governor does not remove the Board member.
  - e. Subject to applicable law, the Board may remove a Board member or place a Board member on a leave of absence by a vote of not less than two-thirds (2/3) of the voting Directors present at any properly convened meeting of the full Board at which a quorum is present.
4. Report of Conflict of Interest Determinations to the Board. The Chair of the Governance Committee shall report all Conflict of Interest determinations under this Policy to the full Board sitting in Executive Session.

## **ARTICLE VII: RECORDS OF PROCEEDINGS**

In meeting and taking action pursuant to this Policy,

- 1. The minutes of the Governance Committee shall contain:
  - a. The names of the Covered Person(s) who disclosed or otherwise may have an actual or possible Conflict of Interest, the nature of the interest, any action taken to determine whether a Conflict of Interest existed, and the Committee's decision as to whether a Conflict of Interest in fact existed.
  - b. The names of the person(s) who were present for discussions and votes relating to the transaction or arrangement, and a record of any votes taken in connection with the proceedings.
- 2. The minutes of the full Board shall contain:
  - a. The information that the Governance Committee Chair reported all Conflict of Interest determinations in Executive Session.
- 3. The UMMS Chief Compliance Officer shall submit the required information to the State Health Services Cost Review Commission. Maryland law requires the State Health Services Cost Review Commission to send a summary, excluding home addresses, of all disclosure statements submitted to the Governor, President of the Senate, and the Speaker of the House.

## **ARTICLE VIII: DISINTERESTED PERSONS FOR KEY BOARD POSITIONS**

In order to maintain good governance practices, the Chair of the Board and the Chairs of the Governance Committee and the Audit and Compliance Committee shall not have any Business Transactions with UMMS, nor shall their Family Members.

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## ARTICLE IX: PERIODIC REVIEWS

To ensure UMMS operates in a manner consistent with its mission and charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects;

1. Whether compensation arrangements and benefits are reasonable and the result of arm's length competitive bargaining.
2. Whether partnerships, joint ventures, and arrangements with management organizations conform to UMMS's written policies, are properly recorded, reflect reasonable investment or payment for goods and services, further UMMS's mission, and do not result in inurement, impermissible private benefit, or in an Excess Benefit Transaction.

## ARTICLE X: SOURCING AND AWARDING CONTRACTS

1. UMMS may not use sole source procurement to award a contract to a Board member or her/his Family Member or a business entity that employs or has an affiliation with a member or her/his Family Member.
2. UMMS may not provide a preference for the award of a contract to a Board member or her/his Family Member or a business entity that employs or has an affiliation with a member or her/his Family Member.
3. The award of a contract or the making of a payment not subject to a contract to a Board member or her/his Family Member or a business associated with a member or her/his Family Member shall be subject to the approval by the full Board of Directors.
4. The UMMS Chief Compliance Officer, after notification to the Governance Committee Chair, the Board Chair, and the CEO, shall report any sole source contract to the Governor, in order to allow the governor to determine if the Director requires removal from the Board of Directors.

## ARTICLE XI: USE OF OUTSIDE EXPERTS

When conducting periodic reviews as identified in this Policy, the Board may, but need not, use outside experts. If outside experts are used, their use shall not relieve the Board of its responsibility to ensure periodic reviews are conducted.

## ARTICLE XII: APPROVED:

This policy supersedes any and all prior Conflict of Interest policies.

Approved by the University of Maryland Medical System Corporation Board of Directors: May 23, 2019